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Statement of DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

February 06, 2025 at 1:05 p.m.
State Capitol, Room 225

In consideration of S.B. 67 RELATING TO INCLUSIONARY ZONING.

Chair Chang, Vice Chair Hashimoto, and members of the Committee.

HHFDC **supports** SB 67, which prohibits any law, ordinance, or rule from imposing an inclusionary zoning (IZ) requirement on housing offered exclusively for sale or rent in perpetuity to buyers or renters who are residents of the state, are owner-occupants or renters, and do not own any other real property.

The lack of affordable housing is a major barrier to recruiting and retaining a skilled workforce and a reason why many Hawaii residents choose to move to more affordable communities in the continental United States. A 2022 study by UHERO on measuring the burden of housing regulation in Hawaii concluded that regulation has severely limited the ability of the housing market to create the units necessary to meet demand.¹

Because IZ mandates affect project feasibility, projects are often delayed or deemed to be infeasible, reducing the development of affordable housing units and worsening our affordable housing crisis. This proposal provides an option for developers to provide housing for specified renters and buyers to avoid IZ mandates.

Thank you for the opportunity to testify on this bill.

¹ Rachel Inafuku, Justin Tyndall, and Carl Bonham. Measuring the Burden of Housing Regulation in Hawaii. UHERO. <https://uhero.hawaii.edu/measuring-the-burden-of-housing-regulation-in-hawaii/>

Feb. 6, 2025, 1:05 p.m.
Hawaii State Capitol
Conference Room 225 and Videoconference

To: Senate Committee on Housing
Sen. Stanley Chang, Chair
Sen. Troy Hashimoto, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: SB67 — RELATING TO INCLUSIONARY ZONING

Aloha Chair Chang, Vice-Chair Hashimoto and members of the Committee,

The Grassroot Institute of Hawaii **supports** [SB67](#), which would prohibit any law, ordinance or rule from imposing an inclusionary zoning requirement on housing offered exclusively for sale in perpetuity to buyers who are residents of Hawaii, are owner-occupants and do not own any other real property.

By eliminating inclusionary zoning rules for certain properties, this bill would make an important stride toward encouraging the growth of housing in our state.

That's because inclusionary zoning specifies that a certain percentage of homes in a proposed project have to be sold or rented at a certain price point — and that is a disincentive to homebuilders, as a large body of research shows.¹

To make matters worse, the mandates force homebuilders to raise the prices of their market-rate homes to make up for the so-called affordable homes, and that becomes even more problematic, depending on the percentage of homes that must be so-called affordable.

¹ Tom Means, Edward Stringham and Edward Lopez, "[Below-Market Housing Mandates as Takings: Measuring their Impact](#)," The Independence Institute, November 2007; Carl Bohnam, Kimberly Burnett, Andrew Kato, et al., "[Inclusionary Zoning: Implications for Oahu's Housing Market](#)," The Economic Research Organization at the University of Hawai'i, Feb. 12, 2010; Sanford Ikeda and Emily Washington, "[How land-use regulation undermines affordable housing](#)," Mercatus Research, November 2015; Paul Kupiec and Edward Pinto, "[The high cost of 'affordable housing' mandates](#)," The Wall Street Journal, Feb. 12, 2018; Benjamin Powell and Edward Stringham, "[Housing supply and affordability](#)," Reason Foundation, April 1, 2004; and "[Inclusionary zoning primer](#)," National Association of Home Builders, August 2019.

Based on the “Inclusionary Housing Calculator” developed by Grounded Solutions Network, our research shows that in housing markets that have a 50% inclusionary zoning requirement, it is nearly impossible to make a profit building housing without a government subsidy.²

For example, a low-rise apartment project with 30 units costing \$18 million would incur a net loss of \$7 million, if built in an area with an affordable housing requirement of 50%, according to the calculator.³

And the higher the inclusionary zoning percentage, the greater the net loss.

If government subsidies are required to keep the homebuilders interested, then we are talking about further obstacles to efficient homebuilding and hidden, shifted costs to taxpayers — who often are the same people who need affordable housing.

As noted by economist Carl Bonham at the Economic Research Organization at the University of Hawai‘i, inclusionary zoning “reduces incentives for developers to produce all forms of housing, and will reduce the overall supply of housing units and increase the price of housing.”⁴

In other words, inclusionary zoning requirements are a roadblock to increasing Hawaii’s housing supply — and we applaud this bill for recognizing this.

Passage of SB67 would provide a strong incentive to homebuilders to respond to the needs of Hawaii families in a speedy and efficient manner.

Thank you for the opportunity to testify.

Ted Kefalas
Director of strategic campaigns
Grassroot Institute of Hawaii

² [“Inclusionary Housing Calculator 2.0,”](#) Grounded Solutions Network, 2019.

³ [“Project Summary,”](#) Grounded Solutions Network, accessed Feb. 9, 2021.

⁴ Carl Bonham, [“The Unintended Consequences of Affordable Housing Policy,”](#) The Economic Research Organization at the University of Hawai‘i, Sept. 8, 2013.

SB-67

Submitted on: 2/4/2025 2:01:19 AM

Testimony for HOU on 2/6/2025 1:05:00 PM

Submitted By	Organization	Testifier Position	Testify
Ellen Awai	Individual	Support	Written Testimony Only

Comments:

I support SB67 Inclusionary zoning for counties.